

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARE**

In re

BLAKE OF CHICAGO CORP., *et al.*,

Debtors.

Chapter 11

Bankr. Case No. 04-12002 (JLP)

Bankr. Adv. No. 05-54141

Jointly Administered

A.B. DICK COMPANY and  
PARAGON CORPORATE HOLDINGS,  
INC.,

Plaintiffs,

v.

MHR CAPITAL PARTNERS LP,  
MHR INSTITUTIONAL PARTNERS LP,  
MHRM LP and MHR FUND  
MANAGEMENT LLC,

Defendants.

Civ. Action No. 05-00116-KAJ

MHR CAPITAL PARTNERS LP, MHR  
INSTITUTIONAL PARTNERS LP, and  
MHRM LP,

Third-Party Plaintiffs,

v.

N.E.S. INVESTMENT COMPANY, *et al.*

Third-Party Defendants.

Civil Action No. 05-00115-KAJ

**JOINT STATEMENT**

Blake of Chicago Corp., f/k/a A.B. Dick Company and Paragon Corporate Holdings, Inc. (collectively, "Plaintiffs"); MHR Capital Partners LP, MHR Institutional Partners LP, MHRM LP, and MHR Fund Management LLC (collectively, the "MHR Defendants/Third-Party

Plaintiffs”); N.E.S. Investment Company, Robert J. Tomsich, John H. Fountain, John R. Tomsich, Frank D. Zaffino, Gregory T. Knipp, James W. Wert, John Kahl, Jr., Donald Hastings, Brown Gibbons, Land & Company, L.P. and Squire, Sanders & Dempsey L.L.P. (collectively, the “Third Party Defendants”) hereby submit this joint statement pursuant to Del L.R. 81.2.

### **BACKGROUND**

1. On July 13, 2004, the above-captioned debtors and debtors-in-possession (collectively, the “Debtors”) each filed a voluntary petition for relief pursuant to Chapter 11 of title 11 of the United States Code, § 101, *et al.* (as amended, the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”).

2. On July 13, 2004, Plaintiffs commenced an adversary proceeding (the “Adversary Proceeding”) in the Bankruptcy Court by filing a complaint against the MHR Defendants. On August 18, 2004, MHR Defendants answered the complaint.

3. On August 18, 2004, MHR Defendants filed a Third-Party Complaint and Jury Demand (the “Third-Party Complaint”) against the Third-Party Defendants.

4. On November 24, 2004, Third-Party Defendants N.E.S. Investment Company, John H. Fountain, Donald Hastings, John Kahl, Jr., Gregory T. Knipp, John R. Tomisch, Robert J. Tomisch, James W. Wert, Frank D. Zaffino, and Squire Sanders & Dempsey L.L.P filed motions to dismiss the Third-Party Complaint (the “Third-Party Defendants’ Motions to Dismiss”). The Third-Party Plaintiffs and Third-Party Defendants have agreed to extend the deadline for the Third-Party Plaintiffs’ to respond to these motions.

5. On December 29, 2004, following hearing, the Bankruptcy Court entered an order granting Plaintiffs’ Motion for Leave to File Amended Complaint and Add Additional Party Defendant. Plaintiffs filed the Amended Complaint on January 5, 2005.

6. On February 8, 2005, MHR Defendants filed the Motion of MHR Capital Partners LP, MHR Institutional Partners LP, MHRM LP and MHR Fund Management LLC to Dismiss, or in the Alternative, for Summary Judgment on, Counts II and II of the Amended Complaint (the “MHR Motion to Dismiss”).

7. On April 4, 2005, the Bankruptcy Court entered an order on the parties’ stipulation extending the time that Plaintiffs had to respond to the MHR Motion to Dismiss to a date two weeks after an order was entered with respect to the MHR Defendants’ motion to withdraw the reference with respect to the Adversary Proceeding.

8. On July 5, 2005, this Court entered an order granting Third-Party Defendants’ motions to withdraw the reference of the Third-Party Complaint to this Court. On July 6, 2005, this Court entered an order granting MHR Defendants’ motion to withdraw the reference of the Adversary Proceeding to this Court.

9. On July 20, 2005, Plaintiffs filed the Plaintiffs’ Memorandum in Opposition to MHR Defendants’ Motion to Dismiss or, in the Alternative, for Summary Judgment on Counts II and II of the Amended Complaint.

10. On July 21, 2005, the Third-Party Plaintiffs and the Third-Party Defendants filed the Stipulation and Order Staying Third-Party Action and Extending the Time Within Which the Third-Party Plaintiffs Must Respond to Certain Motions Filed by the Third-Party Defendants or, in the Alternative, Dismissing the Third-Party Action (the “Third-Party Stipulation”). The Third-Party Stipulation stays all matters, including discovery, relating to the Third-Party Complaint pending a determination and entry of a final, non-appealable order with respect to the Amended Complaint. In addition, depending on the outcome of the Plaintiffs’ recharacterization claim, the Third-Party Stipulation either extends the Third-Party Plaintiffs’

deadlines to respond to the Third-Party Defendants' Motions to Dismiss or requires the Third-Party Plaintiffs to voluntarily dismiss the Third-Party Complaint.

11. On July 21, 2005, the Plaintiffs and MHR Defendants filed the Stipulation and Agreed Order Extending Time Within Which the MHR Defendants May File Reply to MHR Defendants' Motion to Dismiss, or in the Alternative, for Summary Judgment on Counts II and III of the Amended Complaint ("MHR Stipulation"), extending the MHR Defendants time to file its reply to the MHR Motion to Dismiss to August 15, 2005.

#### **MATTERS BEFORE THE COURT**


12. Currently, the only matters that require immediate Court approval are the Third-Party Stipulation and the MHR Stipulation. Upon the requested approval of the Third-Party Stipulation, the Third-Party Complaint and related matters will be stayed until final resolution of the Amended Complaint.

13. Thus, the only matters pending before the Court requiring action are (a) the Amended Complaint and (b) the MHR Motion to Dismiss and the Plaintiffs' opposition thereto.

14. The Plaintiffs and MHR Defendants anticipate that briefing on the MHR Motion to Dismiss will be complete on or around August 15, 2005. In addition, the Plaintiffs and MHR Defendants also anticipate filing a proposed scheduling order within the next two weeks. In order to accomplish this, the Plaintiffs and MHR Defendants will meet and confer this week with respect to an agreed discovery and briefing schedule.

15. The undersigned parties are available at the Court's convenience to discuss this Joint Statement.

Respectfully submitted:

Dated: July , 2005

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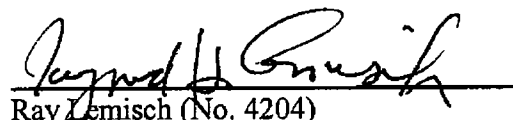
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